No. 13044

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

REPUBLIC PICTURES CORPORATION,

Appellant,

vs.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES,

Appellee.

APPELLANT'S REPLY BRIEF.

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There is no real dispute here presented as to the legal principles by which this appeal is governed. The jurisdiction of the District Courts in the absence of diversity of citizenship is dependent upon the action being one directly and primarily requiring the construction or application of a federal statute in the absence of which no cause of action could be stated. If the action only incidentally or collaterally involves a federal statute, or simply seeks to assert rights or claims having their origin under such a statute, federal jurisdiction cannot be invoked. These principles control the determination of federal jurisdiction under Section 1338(a) as well as under Section 1331.[1] Appellee tacitly at least, if not expressly, accepts

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[1]Some suggestion is made [Appellee's Br. p. 6] that the tests of jurisdiction under Section 1331 are not precisely applicable to determination of the same question under Section 1338. Although

our statement of these controlling principles [Appellee's Op. Br. pp. 8-11], *but only as an abstract legal proposition;* in application to the present case, appellee in fact refuses to apply or to be governed by those principles or by their necessary and logical implications.

In justification of its refusal, appellee sets up and purports to apply a syllogism that is demonstrably erroneous in both major and minor premises and in conclusion:

1. An action arises under an Act of Congress relating to copyrights when it is brought to enforce a right claimed under such an act;

2. The right to mortgage a copyright is a "federal right";

3. An action to foreclose a mortgage on a copyright is therefore an action arising under an Act of Congress relating to copyrights.

Nothing said by appellee in support of its self-conceived syllogism in any manner suggests any conclusion other than that the foreclosure action here considered does not present a case for federal jurisdiction under Section 1338(a).

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no reasons are given for that suggestion, it is intimated that the tests must be different, else "there would have been no purpose in enacting Section 1338(a) to cover the field of patents and copyrights."

The purpose of separately specifying patents and copyrights in Section 1338(a) was not, as appellee suggests, to require a test different from that under Section 1331, but rather to make such federal jurisdiciton exclusive in patent and copyright cases, and to dispense with the "amount in controversy" requirement. [*Advertisers Exchange, Inc. v. Bayless Drug Store, Inc.* (D. C. N. J.), 3 F. R. D. 178.] The tests of jurisdiction under the two statutes are identical.

ARGUMENT.

I.

An Action Does Not Arise Under the Copyright Laws Merely Because It Seeks to Enforce a Right Which Has Its Origin in Those Laws or an Obligation Created in the Exercise of Such a Right.

Appellee's position, briefly stated as a general proposition, is simply this: any action founded upon a "federal right" presents a federal question within the original jurisdiction of the federal courts. Appellee thus states a jurisdictional rule which Congress might properly have enacted, *but which it did not.* The rule so stated obliterates the basic distinction between *actions* which themselves arise under and by virtue of a federal statute, and actions that do not so arise but that present *questions* of federal law or federal rights as the subject-matter of the dispute. [*New Marshall Co. v. Marshall Engine Co.,* 223 U. S. 473, 478-479.] It is the *action* and not the *right* which must arise under the federal statute:

> "A suit to enforce *a right which takes its origin in the laws of the United States* is not necessarily or for that reason alone, one arising under those laws." [*Shulthis v. McDougal,* 225 U. S. 561, 569; *Teague v. Brotherhood of Locomotive Firemen* (C. C. A. 6), 127 F. 2d 53, 55.]

Appellee relies upon *Gully v. First National Bank,* 299 U. S. 109, for the broad statement that "If the right is federal in nature, there is federal jurisdiction" [Appellee's Br. p. 7], *but the Gully case expressly negatives such a conclusion.* It is true that the court there stated that a right or immunity claimed under federal law "must be an element, and an essential one, of the plaintiff's cause of

action" [299 U. S. at 112], but the decision is not authority for the proposition that the existence of such a right is determinative of the jurisdiction of the District Court. Assuming the existence of a "federal right" as the basis of plaintiff's cause of action, still

> "*A genuine and present controversy, not merely a possible or conjectural one, must exist with reference thereto* (citing cases), and the controversy must be disclosed upon the face of the complaint, unaided by the answer or by the petition for removal. (Citing cases.) Indeed, the complaint itself will not avail as a basis of jurisdiction in so far as it goes beyond a statement of the plaintiff's cause of action and anticipates or replies to a probable defense.
>
> ". . . Partly under the influence of statutes disclosing a new legislative policy, partly under the influence of more liberal decisions, the probable course of the trial, *the real substance of the controversy,* has taken on a new significance. 'A suit to enforce a right which takes its origin in the laws of the United States is not necessarily, or for that reason alone, one arising under those laws, for a suit does not so arise unless it really and substantially involves a dispute or controversy respecting the validity, construction or effect of such a law, upon the determination of which the result depends." [299 U. S. at 113-114, per Cardozo, J.; italics added.]

It is not enough, therefore, that the right claimed be "federal" in nature or have its genesis in the federal statute. It must appear from the complaint that a present and actual dispute is presented concerning the existence or enforcement of that right, and not merely of the obligations arising from its exercise. If the existence of the

right is not seriously in dispute, its "federal nature" does not entitle the claimant to invoke the jurisdiction of the federal courts. [*Gully v. First National Bank, supra.*]

A. The Claim of a Right Under the Copyright Laws Does Not Create Federal Jurisdiction Unless It Also Appears Probable That the Right, and Not Merely the Obligations Arising From Its Exercise, Will Be in Actual and Substantial Dispute.

In practice, as the rule of the *Gully* case is applied to actions under the copyright and patent laws, the federal courts have been held to have jurisdiction only of those actions directly and primarily presenting a controversy relating to the validity or infringement of a patent or copyright. Actions at common law or in equity, in which no dispute exists as to the construction or application of any statutory provision, which seek only the enforcement of obligations arising from the exercise of the copyright or patent, or seek to effect the transfer or determination of title to the copyright or patent, are not within the compass of Section 1338(a). [*Luckett v. Delpark,* 270 U. S. 496, 504, 511; *Pratt v. Paris Gaslight & Coke Co.,* 168 U. S. 255, 259; *Measurements Corp. v. Ferris Instruments Corp.* (C. C. A. 3), 159 F. 2d 590, 594; *Dill Mfg. Co. v. Goff* (C. C. A. 6), 125 F. 2d 676, 678-679, *cert. den.* 317 U. S. 672; *Laning v. Natl. Ribbon Co.* (C. C. A. 7), 125 F. 2d 565, 566-567; *Binger v. Unger* (S. D. N. Y.), 6 F. R. D. 44, 45.]

It is extremely significant, in view of appellee's unsupported conclusion that jurisdiction under Section 1338(a) extends to *any* case in which a right under the copyright statute is claimed although not disputed [Appellee's Br. pp. 7-8, 10-15], that of the hundreds of cases in which

federal jurisdiction under Section 1338(a) has been invoked *the only reported cases in which such jurisdiction has been upheld have been those in which the primary issue was the validity or infringement of the patent or copyright!* The total absence of decisions upholding such jurisdiction in cases involving the other "rights" created by the copyright or patent statutes speaks eloquently of the universal application of the rule of the *Gully* case under Section 1338(a).

Appellee purports to find in federal jurisdiction of infringement cases an analogy to the present case that neither the cases nor the statute sustain. The copyright laws of the United States, like those of any other jurisdiction, were born of a single specific purpose: to secure to the creator of an original work in letters, art or music, a limited statutory monopoly to multiply and to sell copies of his work or to license its performance, and to be protected against the unauthorized exercise of any right in that work by any other person. Without this right of protection against the usurpation of the proprietor's exclusive rights, statutory copyright would not exist. [*Bobbs-Merrill Co. v. Straus,* 210 U. S. 339, 347; *Wheaton v. Peters,* 33 U. S. 223, 230-232; *Loew's Incorporated v. Superior Court,* 18 Cal. 2d 419, 424-425, 115 P. 2d 983.]

A copyright is infringed only when the exclusive rights in a particular work secured to the copyright proprietor by the copyright act [17 U. S. C. Sec. 1] are usurped without authority. The bringing of an action for infringement presupposes a dispute concerning the existence of the exclusive right allegedly usurped. Whether the "federal" right exists and whether it has been violated

are the main, if not the only, elements of the controversy. The dispute over that right is "basic" and not "collateral."

In addition, the action for infringement is itself prescribed and governed solely and specifically by statute. [17 U. S. C. Secs. 101-116.] The nature of the action and the scope and enforcement of the remedy, the enforcement and review of the judgment, order or decree obtained, even the award of costs and attorney's fees, are expressly covered by statute. Not only is a federal right in substantial dispute, but a federal remedy *alone* can be invoked for its redress. [*Caruthers v. R.K.O. Radio Pictures* (S. D. N. Y.), 20 Fed. Supp. 906, 908; *King v. Edw. B. Marks Music Corp.* (S. D. N. Y.), 56 Fed. Supp. 446, 450.] As stated in *Henry v. A. B. Dick Co.*, 224 U. S. 1, 14-15, cited by appellee at page 12 of its brief, the action for infringement is within the jurisdiction of the federal court, not because it is founded upon a right created by the copyright statute, but because it directly and primarily involves a dispute over that right and because the *remedy* invoked is one *created and controlled* by the copyright statute.

B. An Action to Foreclose a Mortgage of a Copyright Neither Invokes a Federal Remedy nor Presents a Probable Dispute Over a Federal Right.

It is clear that, assuming for purposes of this discussion only that the right to mortgage a copyright is a "federal" right, the existence of that right, for reasons stated above, does not of itself constitute an action to foreclose the mortgage one arising under the copyright laws. The right itself is not in dispute in the foreclosure action; it will not be denied that the proprietor of a copyright has

the right to mortgage it. It cannot be said, with any degree of logic, that the complaint in a normal foreclosure action necessarily or probably raises any actual controversy over the existence of the right in the copyright proprietor; "the real substance of the controversy," if one is presented, revolves around the obligations created in the exercise of the right. The most that can be said is that the true controversy is *based upon* the right granted under the statute, but the existence of a federal right at the seat of the controversy does not confer jurisdiction on the federal courts. The *controversy itself,* not merely the right, must arise under the statute. [*Gully v. First National Bank,* 299 U. S. 109, 117-118.]

Illustrative of this rule in its application to the present case is *Bobbs-Merrill Co. v. Straus,* 210 U. S. 339, relied upon by appellee. Among the rights specifically created by Section 1 of the copyright statute is the exclusive right "to print, reprint, publish, copy, and *vend* the copyrighted work."[2] [17 U. S. C. Sec. 1(a). Italics added.] Pursuant to, and in exercise of its statutory right to vend its copyrighted and published work, plaintiff caused the same to be sold under contracts of sale requiring minimum resale price maintenance. Defendant resold copies of the work at less than the minimum price. Plaintiff thereupon brought suit for *infringement,* alleging that, pursuant to its statutory right to vend copies of its work, it had sold

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[2]If we adopt as the test of whether a right is created by federal statute that advanced by appellee, that the right not exist at common law, then there can be no doubt that the right to vend the published work is a "federal" right since a publication of the work at common law destroyed *all rights* of the author therein. [*Loew's Incorporated v. Superior Court, supra,* 18 Cal. 2d 419, 423, 115 P. 2d 983.]

same under specified terms and conditions, and defendant's violation of those terms and condition constituted infringement of the exclusive right.

The analogy of the *Bobbs-Merrill* case to that here presented is clear: plaintiff, pursuant to its statutorily conferred right, had exercised that right and now sought to enforce obligations arising from that exercise. Manifestly, the action was *based upon* the statutory right to vend copies of the copyrighted work, and if the "federal nature" of the right were determinative, the action would have been properly brought in the federal court.

The controversy presented in the *Bobbs-Merrill* case, however, was not over the existence of the right, which was clear, but was rather over rights and obligations arising from its exercise. There, as here, the federal right was simply and solely the undisputed genesis of the controversy, and the United States Supreme Court accordingly held that the federal court had no jurisdiction of the action, that once the statutory right had been exercised, a controversy arising out of its exercise and not affecting or questioning the existence of the right was not cognizable by the federal court. [210 U. S. at 350-351.]

By a parity of reasoning, a foreclosure action presents no controversy over the existence of the right to mortgage a copyright, which is clear. Whatever controversy may be presented arises from the exercise of the undisputed right, only collaterally relating to the statute creating the right. Like the contract in the *Bobbs-Merrill* case, the genesis of the right is not determinative of the existence of jurisdiction. [See also *Scribner v. Straus,* 210 U. S. 352, 354.]

The same result, significantly, has been reached in cases involving assignments of copyright or licenses granted by the copyright proprietor. To the extent that Section 28 of the copyright statute "creates" the right to mortgage, upon which appellee relies, by the same token and in the same manner it "creates" the right of assignment of the statutory copyright. Similarly, Section 28 creates the right partially to "assign," or to license, the use of something less than the whole copyright, such as dramatization rights, motion picture rights, etc. [*Harper Bros. v. Klaw* (S. D. N. Y.), 232 Fed. 609.] Indeed, it might even be said that the right to assign is more clearly "federal" in nature than the right to mortgage, since the copyright statute specifically governs the acknowledgment, recordation and certification of *assignments,* but not of *mortgages.* [17 U. S. C. Secs. 29-32.]

Notwithstanding that the rights of assignment and licensing are thus federally created, actions based upon such assignments or licenses do not arise under the statute creating the right and cannot be brought in the federal courts in the absence of diversity of citizenship. [*New Marshall Co. v. Marshall Engine Co., supra,* 223 U. S. 473, 478-479; *Danks v. Gordon* (C. C. A. 2), 272 Fed. 821, 827; *Local Trademarks, Inc. v. Powers* (E. D. Pa.), 56 Fed. Supp. 751, 752; *Fisher v. Hill,* 212 App. Div. 646, 209 N. Y. Supp. 369, 370-371; *Broadcast Music, Inc. v. Buck,* 34 N. Y. S. 2d 337, 338.] This absence of federal jurisdiction applies even to an action to set aside an invalid assignment or license, notwithstanding that the acts of defendant, if the assignment or license is held invalid, constitute infringement for which an injunction is prayed. [*New Marshall Co. v. Marshall Engine Co.,* 223 U. S. 473, 478-479.]

Nor is the jurisdiction of the federal courts enlarged because the foreclosure action will result in a transfer of title to, rather than rights in, the copyright or patent. The rule is clear that actions brought for the specific and primary purpose of determining and compelling the transfer of title to a patent or copyright are not cognizable in the federal courts, even though the ownership of a copyright is clearly a federal right. [*Measurements Corp. v. Ferris Instrument Corp.* (C. C. A. 3), 159 F. 2d 590, 594, *and cases cited therein; Ager v. Murray,* 105 U. S. 126, 131; *Pacific Bank v. Robinson,* 57 Cal. 520, 525; see also cases cited, Appellant's Op. Br. p. 10.]

Appellee is not aided by its attempted shift of emphasis [Appellee's Br. pp. 12-13] from the *right* claimed to the *remedy* sought. The remedy sought in a specific action confers jurisdiction on the federal court *only* when that remedy itself is created and specifically governed by federal statute. The significance of the remedy sought in *Henry v. A. B. Dick Co.,* 224 U. S. 1, cited by appellee, was that the primary purpose of the action was the redress of an alleged *infringement* of a patent, the remedy for which is wholly statutory. [35 U. S. C. Secs. 67-71.] The remedy of injunction for patent infringement is in fact specifically made available in "the several courts vested with jurisdiction of cases arising under the patent laws." [35 U. S. C. Sec. 70.] We search the copyright statute in vain for any provisions relating to the remedy of *foreclosure* of a copyright mortgage.

C. Federal Jurisdiction Under Section 1338(a) Is Governed by the True Nature of the Controversy, Not by the Form of the Action. It Is Not Affected by Whether an Action Is Labeled In Rem or In Personam.

First. We are somewhat at a loss to perceive the relevance to this case of the superannuated concept of the unbridgable gulf between actions *in rem* and actions *in personam,* upon which appellee places such emphatic reliance. [Appellee's Br. pp. 11-14, 16-19, 30.] It is apparent that appellee seeks to brush aside the indistinguishable assignment and license cases by impatiently dismissing them as "actions *in personam,*" whereas a mortgage foreclosure action, being an "action *in rem,*" is a totally different species of action, not governed by the same rules. We are not alone in our difficulty, however, since this distinction seems heretofore to have escaped the courts as well as ourselves. At least it has presented no obstacle to the finding of lack of federal jurisdiction in such traditionally *in rem* actions as those brought to quiet title to copyrights and patents [see cases cited, Point I, B, *supra*], and, we presume, the fact that a probate decree operates *in rem* would not prevent a state court decree of distribution from transmitting a copyright to the legatees thereof under the will of the proprietor.

Moreover, the Supreme Court has specifically held that this feudal distinction is of little or no value in determining jurisdiction with respect to an intangible:

> "Distinctions between actions *in rem* and those *in personam* are ancient and originally expressed in procedural terms what seems really to have been a distinction in the substantive law of property under a

system quite unlike our own . . . *The legal recognition and rise in economic importance of incorporeal or intangible forms of property have upset the ancient simplicity of property law and the clarity of its distinctions, while new forms of proceedings have confused the old procedural classification.* American courts have sometimes classed certain actions *in rem* because personal service of process was not required, and at other times have held personal service of process was not required because the action was *in rem*. See cases collected in Freeman on Judgments Sec. 1517 *et seq.*, 5th ed.

". . . we think that the requirements of the Fourteenth Amendment to the Federal Constitution do not depend upon a classification for which the standards are so elusive and confused generally and which, being primarily for state courts to define, may and do vary from state to state. Without disparaging the usefulness of distinctions between actions *in rem* and those *in personam* in many branches of law, or on other issues, or the reasoning which underlies them, we do not rest the power of the State to resort to constructive service in this proceeding upon how its courts or this Court may regard this historic antithesis." [*Mullane v. Central Hanover Bank & Trust Co.*, 339 U. S. 306, 312-313. Italics added.]

It is manifestly unreasonable to predicate federal jurisdiction or the absence thereof upon a concept so elusive and so uncertain, whose legal effect itself varies from state to state, and which the Supreme Court of the United

States has specifically stated has little or no relevance with relation to intangibles.

Moreover, whether an action to foreclose a mortgage on tangible or intangible personalty be said to be *in rem* or *quasi in rem* or *in personam,* depending upon the court making the classification and the purpose for which it is made (the authorities are considerably less inflexibly certain than appellee appears to be), this much is clear: *the classification of the action does not affect the jurisdiction of the court to decree a foreclosure.* An action to foreclose is transitory, not local; a court which has jurisdiction of the person of the mortgagor may decree foreclosure of the mortgage and sale of the mortgaged property, irrespective of whether the property is physically within or without the court's territorial jurisdiction. [*Hall v. Milligan,* 221 Ala. 233, 128 So. 438, 439; *Emerson-Brantingham Co. v. Giles,* 53 Utah 539, 174 Pac. 181, 182; 14 *C. J. S., Chattel Mortgages,* Sec. 401, pp. 1051-1052; see *Estate of Newton,* 35 Cal. 2d 830, 221 P. 2d 952.] If the action is transitory and personal to that extent in the case of property having a physical location, it necessarily follows that the same rule must apply to property that by its nature has no such physical location, except derivatively through its owner. [*Curry v. McCandless,* 307 U. S. 357, 365-366.]

Since copyrights, under appellee's view, are like choses in action in that they have "no spatial or tangible existence, control over them can 'only arise from control or

power over the persons whose relationships are the source of the rights and obligations.'" [*Standard Oil Co. v. New Jersey,* 341 U. S. 428, 439; *Estin v. Estin,* 334 U. S. 541, 548.] Since the fiction of "situs" of intangibles no longer controls the determination of jurisdiction, it necessarily follows that the absence of such "situs," even in an "action *in rem,*" cannot oust a court of jurisdiction, nor can its presence confer jurisdiction that does not otherwise exist. "A jurisdiction which does not depend on physical presence within the state is not lost by declaring that it is absent." [*Curry v. McCandless,* 307 U. S. 357, 366.]

Second. The foregoing discussion is equally demonstrable of the fallacy of appellee's reliance on an argument culled from *Stevens v. Gladding,* 58 U. S. 448, and *Ager v. Murray,* 105 U. S. 126: that by reason of the peculiar nature of a copyright, *only* the federal courts can assert jurisdiction over it. [Appellee's Br. pp. 12-15.] Appellee's misconception of the true nature of those decisions and their import for the present case does, however, deserve examination.

Whether a foreclosure decree is or is not parallel to the situation presented by a writ of execution is not material to the present case, *since no decision of any federal court specifically holds that only a federal court may levy execution on a copyright.* Appellee makes much of the "holdings" of *Stevens v. Gladding* and *Ager v. Murray,* without mentioning the fact that neither case "held" or

is authority for the proposition for which it is cited! The "holding" quoted from *Stevens v. Gladding,* 58 U. S. at 451, was not a decision that execution could not issue on a copyright, but was simply a discussion of the difficulties which might arise from such a levy, *and even that discussion was dictum, unnecessary to the disposition of the case. Stevens v. Gladding* is authority only for the rule previously stated in *Stevens v. Cady,* 55 U. S. 528, that the judicial sale of a copyrighted work does not convey title to the copyright, *in the absence of a manifested intention so to do.*

The "holding" of *Stevens v. Gladding* upon which appellee relies was specifically characterized as mere dictum by the Court in *Ager v. Murray,* 105 U. S. 126, 129, a case which is actually authority for a substantially contrary result. The Court did not, as appellee states, quote *Stevens v. Gladding* "with approval," but merely held [105 U. S. at 130-131] that "the difficulties of which the learned Justice here speaks" were present, *if at all,* only in the levy of *an execution at law,* which was traditionally levied only upon tangible property, and had no application to a *creditor's bill in equity* to subject by decree the debtor's assets to a judicial sale for payment of his debt. It was there specifically held that *a judicial sale of a patent or copyright, pursuant to the decree of a state court sitting in equity and having jurisdiction of the person of the copyright proprietor, was valid and binding and effected a proper transfer of the patent or copyright to the purchaser at such sale.*

In any event, therefore, *Ager v. Murray* supports rather than refutes the principle that the foreclosure of a copyright mortgage is properly decreeable by a state court. The foreclosure of a mortgage, like a creditor's bill and unlike the writ of execution considered in *Stevens v. Gladding,* may properly reach property that does not have "a tangible and visible existence within the jurisdiction of the court." [*Ager v. Murray,* 105 U. S. at 130-131.] Like a creditor's bill, a mortgage foreclosure is an equitable proceeding, not an action at law. [*Elmore Jameson Co. v. Smith,* 34 Cal. App. 2d 609, 616-617, 93 P. 2d 1063; *Bush v. Bank of America,* 1 Cal. App. 2d 588, 592, 37 P. 2d 168; *Simon Newman Co. v. Woods,* 85 Cal. App. 360, 363, 259 Pac. 460.] Judicial sale pursuant to an equitable decree of foreclosure is indistinguishable in its effect from judicial sale pursuant to an equitable decree in a creditor's suit. In either case, a court having personal jurisdiction of the mortgagor or debtor can subject the patent or copyright to judicial sale and convey valid title to the purchaser. [*Ager v. Murray, supra,* at 130-131; *Pacific Bank v. Robinson,* 57 Cal. 520, 525.]

Appellee's argument based on the weary fiction that the "situs" of a copyright "is co-extensive with the jurisdiction of the authority which gives it life, that is the federal government" [Appellee's Br. p. 11] cannot, even in the most skillful of hands, convert that fiction into a jurisdictional rule. In the last analysis, a copyright is personal property, intangible it is true, but no more intangible

than a share of stock, a debt, or any chose in action. It no more "defies application of the common law requisite of mortgages or the remedies provided by common law or local statutes" [Appellee's Br. p. 11] than does any other form of intangible personal property. Since it in fact has *no* spatial or tangible existence, *any* court with jurisdiction of the person of the proprietor has jurisdiction to determine and affect rights in or ownership of the copyright:

> "Situs of an intangible is fictional but control over parties whose judicially coerced action can make effective rights created by the chose in action enables the court with such control to dispose of the rights of the parties to the intangible." [*Standard Oil Co. v. New Jersey,* 341 U. S. 428, 439-440.]

Nor is there any practical justification for adherence to such an outworn fiction as appellee proposes. Just as a state court with jurisdiction of the parties may decree the sale of a patent or copyright in a creditor's suit, or transfer title thereto in a quiet title action or by probate decree, so may it decree judicial sale of the copyright or patent in a foreclosure action and transfer title thereto valid for all purposes throughout the United States. The imaginary difficulties conjured up by appellee with respect to the extraterritorial effect of the decree are totally dissipated by the clear and express mandate of the Full Faith and Credit Clause. [*Standard Oil Co. v. New Jersey,* 341 U. S. 428, 442-443 *and cases cited therein.*]

II.

The Right to Mortgage a Copyright Is Not an Exclusively "Federal" Right but Exists Under the Laws of the State of California Independent of Federal Statute.

Since, for the reasons outlined above, an action to enforce even a "federal" right does not arise under a federal statute unless the existence of the right itself is primarily, directly, and substantially in dispute, and since this action does not so arise, it is irrelevant whether the right to mortgage a copyright is or is not a "federal" right. For the reasons we have heretofore outlined, however [Appellant's Op. Br. pp. 16-18], we believe that it is not, and that appellee's minor premise is therefore as unfounded as its major premise. Nothing said by appellee in support of its contention diminishes the force of our argument, and we shall not repeat it here.

Appellee also contends, however [Appellee's Br. p. 11], that the right to mortgage a copyright exists only under federal law for the reason that *Cal. Civil Code,* Section 2955 othrwise makes such a mortgage invalid in California. There is no merit to this argument.

Initially, it should be noted that appellee's argument defeats itself. Since Section 28 does make copyrights mortgageable (as well as assignable and devisable), copyrights are *ipso facto* mortgageable in California and the California courts must give effect to such mortgages, notwithstanding any contrary provisions of State law. [*Estate of Lindquist,* 25 Cal. 2d 697, 704-705, 154 P. 2d 879.]

But California law does not exclude copyrights from hypothecation by mortgage. *Cal. Civil Code,* Section 2973 expressly makes mortgages excluded under Section 2955 *valid* as between mortgagor and mortgagee, and as to all persons with notice thereof. An action to foreclose

such a mortgage, as, for example, a chattel mortgage of a copyright, may therefore, properly be maintained by the mortgagee in California under Section 2973. [*Western Oil & Ref. Co. v. Venago Oil Corp.,* 218 Cal. 733, 740, 24 P. 2d 971; *Old Settlers' Inv. Co. v. White,* 158 Cal. 236, 240-241, 110 Pac. 922; *McLeod v. Barnum,* 131 Cal. 605, 606-607, 63 Pac. 924; *Perkins v. Maier Brewery,* 133 Cal. 496, 498, 65 Pac. 1030; *Ronning v. Way,* 18 Cal. App. 527, 529-530, 123 Pac. 615; *In re Grainger* (C. C. A. 9), 160 Fed. 69, 72.]

Conclusion.

The primary determinant of the existence or non-existence of federal jurisdiction is the nature of the *action,* not of the *right.* It is immaterial that a copyright is a federal right, since the foreclosure action involved no dispute respecting its existence or enforcement. A mortgage of copyright is, as we have demonstrated, not a federally created right, but even if it were, that fact would be likewise immaterial since its existence was not an element of controversy in the foreclosure action. The foreclosure of a mortgage necessarily involves neither a dispute as to the existence of the property nor a controversy as to the existence of the right to mortgage it. The *action* is one to foreclose a mortgage; such controversy as it may present ordinarily requires neither construction nor application of federal law for its solution. Since no federal question is presented, no federal jurisdiction can exist. The judgment should therefore be reversed.

Respectfully submitted,

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